

INHERITANCE TAX TREATMENT FOR EMPLOYER-SPONSORED RETIREMENT PLANS

Prior Law

Iowa Code sections 450.4(7) and (8), specify circumstances when a decedent's interest in an employer-sponsored retirement plan is excluded from the calculation of Iowa inheritance tax. Iowa Code section 422.7(4) excludes from the calculation of net income for state income tax purposes the payments from a decedent-employee's retirement plan to a beneficiary to the extent the payments have been included in the calculation of Iowa inheritance tax.

New Provisions

Iowa Code section 450.4(5) was amended during the 2010 legislative session to specify that a decedent's interest in an employer-sponsored retirement plan or individual retirement account that will be subject to federal income tax is not subject to Iowa inheritance tax, regardless of the identity of the beneficiary or the number of payments made after the decedent's death. As a result, the circumstances specified in Iowa Code sections 422.7(4), 450.4(7) and (8) are no longer relevant. House File 609 strikes these irrelevant sections from the Code to conform to Iowa Code section 450.4(5).

Section Amended

Section 1 of 2012 Iowa Acts House File 609 strikes section 422.7, subsection 4, Code Supplement 2011. Section 2 of House File 609 strikes section 450.4, subsections 7 and 8, Code 2011.

Effective Date

July 1, 2012